



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GREENUP COUNTY CLERK**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Donald L. Davidson, Greenup County Clerk
Members of the Greenup County Fiscal Court

The enclosed report prepared by Berger and Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 2001.

We engaged Berger and Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger and Ross, PLLC, evaluated the Greenup County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
GREENUP COUNTY CLERK**

Calendar Year 2001

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Certified Public Accountants and Fraud Examiners
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY CLERK

Calendar Year 2001

Berger & Ross, has completed the Greenup County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$12,968 from the prior calendar year, resulting in excess fees of, \$61,733 as of December 31, 2001. Revenues increased by \$173,821 from the prior year and disbursements increased by \$183,708.

Report Comment:

The County Clerk's Office Lacks Proper Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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Association of Certified Fraud Examiners (ACFE)
Association of Accountants and Financial Auditors (AAFA)
Association of Government Accountants (AGA)
Society of Certified Public Accountants (CPA)
National Association of Public Accountants (NAPAs)
Kentucky Association of Public Accountants (KAPAs)

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following reportable condition:

- The County Clerk's Office Lacks Proper Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
June 19, 2002

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Payments:

State Fees for Services	\$	16,909	
Libraries and Archives Grant		<u>18,334</u>	\$ 35,243

Fiscal Court			17,888
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Licenses and Taxes:

Motor Vehicle-			
Licenses and Transfers	\$	743,437	
Usage Tax		3,566,702	
Tangible Personal Property Tax		2,353,778	
Licenses			
Marriage		25,013	
Deed Transfer Tax		55,219	
Delinquent Taxes		<u>608,320</u>	7,352,469

Fees Collected for Services:

Recordings-			
Deeds, Easements and Contracts	\$	21,695	
Real Estate Mortgages		69,982	
Chattel Mortgages and Financing Statements		93,546	
Notary		11,867	
Powers of Attorney		2,076	
Other Recordings		<u>34,611</u>	233,777

Other:

Interest Earned	\$	7,729	
Copy Work, Extra Pages etc.		6,982	
Postage		1,042	
Refunds		24,830	
Miscellaneous		<u>2,924</u>	43,507

Gross Receipts			<u>\$ 7,682,884</u>
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The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
DONALD L DAVIDSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	558,903	
Usage Tax		3,451,795	
Tangible Personal Property Tax		821,625	

Licenses and Taxes:

Marriage Licenses		9,005	
Delinquent Tax		71,721	
Legal Process Tax		<u>25,562</u>	\$ 4,938,611

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	146,174	
Delinquent Tax		47,448	
Deed Transfer Tax		<u>52,577</u>	246,199

Payments to Other Districts:

Tangible Personal Property Tax	\$	1,282,936	
Delinquent Tax		<u>343,516</u>	1,626,452

Payments to Sheriff 9,420

Payments to County Attorney 85,341

Operating Disbursements:

Personnel services:

Deputies Salaries	\$	356,384	
Unemployment Insurance		2,373	

Employee Benefits:

Employer's Share Social Security		31,414	
Employer's Paid Health Insurance		<u>24,000</u>	<u>414,171</u>

Disbursements (Carried Forward) \$ 7,320,194

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
DONALD L DAVIDSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements (Brought Forward)		\$	7,320,194
Contracted Services			
Cleaning			5,260
Supplies and Materials-			
Office Supplies			34,033
Other Charges-			
Accounting Services	\$	30,681	
Advertising		136	
Binding-Libraries and Archives Grant		18,334	
Conference and Travel		12,447	
Election Expense		2,879	
Insurance		791	
Miscellaneous		15,927	
Postage		7,353	
Refunds		29,951	
Rent		7,136	
Repairs		9,104	
Utilities		9,500	144,239
Capital Outlay-			
Office Equipment			16,822
Debt Service-			
Lease			24,750
Total Disbursements		\$	7,545,298
Net Receipts		\$	137,586
Less: Statutory Maximum	\$	70,064	
Training Incentive		2,189	72,253
Excess Fees		\$	65,333
Less: Expense Allowance			3,600
Excess Fees Due County for Calendar Year 2001		\$	61,733
Less: Payments to County Treasurer			
March 11, 2002	\$	54,104	
June 19, 2002		7,629	61,733
Amount Due		\$	-

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's Office to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

GREENUP COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives. The beginning balance of this account on January 1, 2001, was \$8,010. The County Clerk received additional grant monies of \$10,080 and earned \$244 of interest income during calendar year 2001. Funds totaling \$16,508 were expended during calendar year 2001. As of June 30, 2001, the County Clerk has a balance of \$1,826 in his local records bank account. The County Clerk closed out this grant by returning the balance of \$1,826 to the state on July 13, 2001.

Note 5. Leases

The office of the County Clerk is committed to an operating lease agreement with Software Management for computer equipment, and software. The agreement is renewable on an annual basis and requires monthly payments of \$1,896.

The office of the County Clerk is committed to an operating lease agreement with Chito Ymalay, M.D., Greenup County, Kentucky for the office space of the Flatwoods branch of the County Clerk's office. The agreement is renewable on an annual basis and requires annual payments of \$6,000.

On March 16, 2001 the County Clerk entered into a term lease with Pitney Bowes Credit Corporation for a mailing machine. The lease is for twenty month's, April 16, 2001 through November 16, 2002, and requires quarterly payments of \$666.

GREENUP COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 6. Escrow Account

The County Clerk has a certificate of deposit and a checking account, totaling \$47,221.59 as of December 31, 2001, which consists of an ongoing account originating from unclaimed funds from the purchase of land for public use. The owners and heirs could not be located. The last transaction in the accounts occurred in November 1979. KRS 393.202 states, "If any property having a situs in this state has been devised or bequeathed to any person and is not claimed by that person or his heirs...within seven years after the death...it shall vest with the state." Since the unclaimed funds have been in possession of the County Clerk for more than seven years, and the owners and heirs cannot be located, they should be surrender the funds to the Department of the Treasury.

COMMENT AND RECOMMENDATION

GREENUP COUNTY
DONALD L DAVIDSON, COUNTY CLERK
COMMENT AND RECOMMENDATION
December 31, 2001

INTERNAL CONTROL – REPORTABLE CONDATION AND MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, Berger & Ross, has judged the lack of an adequate segregation of duties as a reportable condition. We recommend that compensating controls be established over receipts and disbursements.

County Clerk's Response:

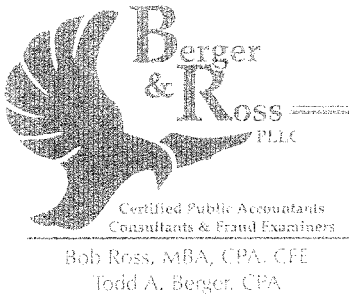
None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Association of Certified Fraud Examiners (ACFE)
Association of Government Accountants (AGA)
Society of Certified Public Accountants (AICPA)
National Association of Public Accountants (NAPAs)
Government Auditing Standards (GAS)

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Greenup County Clerk for the year ended December 31, 2001, and we have issued our report thereon dated June 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Clerk's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies on the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The County Clerk's Office Lacks Proper Segregation Of Duties

Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following reportable condition to be a material weakness.

- The County Clerk's Office Lacks Proper Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit Fieldwork completed –
June 19, 2002

